UOBKayHian

Company – Update
Malaysia
Thursday, 16 July 2026

Kossan Rubber (KRI MK)

Value Emerging From Product Differentiation And Solid Financial Position

Highlights

- Our view remains unchanged from the briefing hosted by Kossan recently. The group's specialty gloves expansion, sizeable net-cash (62% of market cap) and reasonable valuations provide commendable capital upside.
- **Maintain BUY and target price of RM1.26,** pegged to 14x ex-cash PE (-0.5SD below mean).

Analysis

- **A tactically better 2026.** Kossan Rubber (Kossan) delivered resilient 1Q26 earnings (within expectations) as volume sales improved from US customers' re-initiated replenishment activities. For 2Q-3Q26, we expect volume sales to be 8-10% higher and utilisation rate to improve to 85-88% (1Q26: ~80%) based on the current 24b pieces capacity. Furthermore, 2Q-3Q26 earnings will also be partially lifted by higher ASP of US$24-26/'000 pcs (raised to offset higher raw material prices due to the Iran war), which will gradually normalise towards 4Q26.
- **Diverting focus to specialty gloves.** Given steeper industry competition, management alluded that the group is expanding its specialty gloves segment which commands higher ASPs and margins (3-4x vs generic gloves). Note that Kossan's current cleanroom glove production line has 300m-400m pieces annual capacity to produce Class 1,000 to Class 10,000 cleanroom gloves. The group also plans to add another eight cleanroom production lines which will lift annual capacity to 700m-800m pieces in 2027. Such a strategy to penetrate the more lucrative cleanroom segment where customers are stickier allows differentiation from other local peers which typically focus on the production of generic medical gloves.
- **Resilient balance sheet with net cash appealing; still a defensive sector pick.** Including cash and short-term money market investments, Kossan is in a cash-rich position of around RM1.65b net cash (around 65 sen/share or 62% of its current market cap). This signifies that the group may further deploy better capital management with more special dividends as earnings momentum improves in 2026.

Key Financials

Year to 31 Dec (RM m)	2024	2025	2026F	2027F	2028F
Net turnover	1,906.8	1,748.0	2,158.3	2,145.2	2,152.4
EBITDA	159.4	176.5	164.4	139.0	134.6
Operating profit	159.4	176.5	83.4	64.2	61.7
Net profit (rep./act.)	97.3	120.6	133.5	126.9	134.6
Net profit (adj.)	97.3	120.6	133.5	126.9	134.6
EPS	3.8	4.7	5.2	5.0	5.3
PE (x)	27.0	21.8	19.7	20.7	19.5
P/B (x)	0.7	0.7	0.7	0.7	0.7
EV/EBITDA (x)	26.5	24.0	25.7	30.6	31.3
Dividend yield (%)	7.8	1.9	4.1	4.0	4.1
Net margin (%)	5.1	6.9	6.2	5.9	6.2
Net debt/(cash) to equity(%)	(25.1)	(24.4)	(24.7)	(23.5)	(24.6)
Interest cover (x)	116.9	126.7	n.a	n.a	n.a
ROE (%)	3.2	4.0	4.4	4.1	4.4
Consensus net profit	n.a	n.a	156.0	175.1	182.8
UOBKH/Consensus (x)	n.a	n.a	0.9	0.7	0.7

Source: Kossan Rubber, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	RM1.03
Target Price	RM1.26
Upside	20.0%
Previous TP	

Analyst(s)
Jack Goh
jackgoh@uobkh.com
+603 2147 1943

Stock Data

GICS sector	Health Care
Bloomberg ticker:	KRI MK
Shares issued (m):	2,522.0
Market cap (RM$m):	2,900.4
Market cap (US$m):	732.0
3-mth avg daily t'over (US$m):	1.8

Price Performance (%)

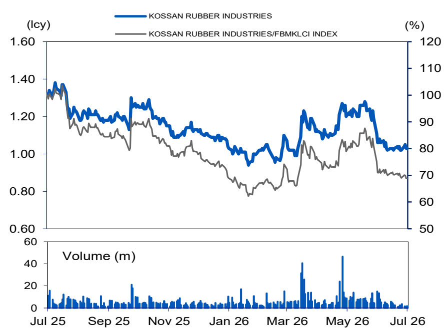
52-week high/low				RM1.8/RM0.9
1mth	3mth	6mth	1yr	YTD
(5.7)	22.3	(3.4)	(38.8)	5.5

Major Shareholders	%
Kossan Holdings	35.42
Employees Provident Fund	5.89
Aberdeen Group	5.63

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.5
FY26 Net Debt/Share (RM)	(0.4)

Price Chart



Source: Bloomberg

Company Description

Rubber products manufacturer

- **Short-term premium ASPs for spot sales due to Iran war lifting 2Q-3Q26 earnings, but non-lasting.** Kossan's April-June ASP hikes were mainly a function of cost-push mechanisms. Therefore, following easing crude oil and chemical prices, the premium ASPs commanded by spot sales have softened. Our channel checks revealed that July ASPs for generic nitrile gloves have moderated towards US$22-23/'000 pcs, while August ASPs further softened to US$20-21/'000 pcs. We anticipate further normalisation of ASPs towards US$18-19/'000 pcs in 4Q26 as the de-escalation of the Middle East tension continues. Nevertheless, this will be partially offset by the recent rebound in the MYR/USD rate from a low of RM3.89 in Feb 26 to around RM4.15 currently. Overall, 2Q-3Q26 earnings shall still see sequential qoq growth.
- **Efficiency enhancement provides mid-long-term margin support.** Besides improving industry-wide operating dynamics, Kossan's pursuit of optimal efficiency is gradually materialising as the group continues to invest in production line automation and manufacturing plant upgrades. We expect these efforts to boost Kossan's profitability per unit following opex reduction, higher utilisation rate, and demand recovery. We forecast Kossan's net profit margin recovering to 6.2-6.5ppt (2024: 5.1ppt).
- **US' higher tariffs on China medical-grade gloves remain net positive.** The US' reciprocal tariffs on China's nitrile medical gloves stand at 147% in 2026. We assessed that China's medical gloves export volume within the US market in 2025 has dropped significantly since the earlier round of reciprocal tariffs. This is mainly due to ASPs no longer being competitive vs competitors at the current 147% tariff rate. On a net basis, we estimate that Malaysia's market share of US medical glove imports may grow to 60-65% in 2026 (from 25-30% in 2024), but overall earnings remain under pressure due to intense competition in non-US markets.
- **Competition in non-US markets is steep, but shortfall likely bridged by higher US sales.** Outside of the US, we anticipate more aggressive ASP competition from China manufacturers in the other regions. With the loss of US sales, we reckoned that intense competition from China manufacturers will cap ASP upside in the non-US markets for Malaysian producers such as Kossan. That said, we assess that China glove manufacturers' breakeven ASP is only US$1-2/'000 pieces cheaper as compared with Malaysian glovemakers. For Kossan, we take a view that the group's cleanroom gloves venture and growing US sales will continue to support earnings visibility in the medium to long term.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM1.26,** pegged to 14x ex-cash PE (-0.5SD below mean) after factoring in the group's RM1.65b net cash position.

Earnings Revision/Risk

- **Earnings revision**: None.

Environment, Social, Governance (ESG) Updates

Environmental

- **Environmental compliance.** Kossan's plants are ISO14001:2015 certified for Environmental Management Systems.

Social

- **Human rights and labour management.** Practices a Zero-Cost Recruitment Policy.

Governance

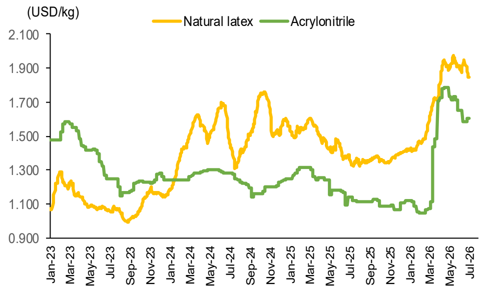
- **Board composition.** Kossan's board currently has nine members, comprising six executive directors and three independent non-executive directors.

Assumptions

	2024	2025F	2026F
Revenue (RMm)	1906.8	2184.4	2334.7
Growth yoy (%)	20.2%	14.6%	6.9%
ASP (US$/'000)	2.2%	3.7%	0.2%
Volume	40.0%	7.1%	6.7%
Net profit	97.3	162.9	200.1
Growth yoy (%)	212.6%	67.5%	22.8%
Margin (%)	5.1%	7.5%	8.6%

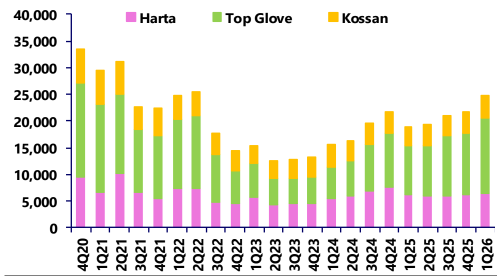
Source: UOB Kay Hian

Global Nitrile And Latex Gloves Production Capacity



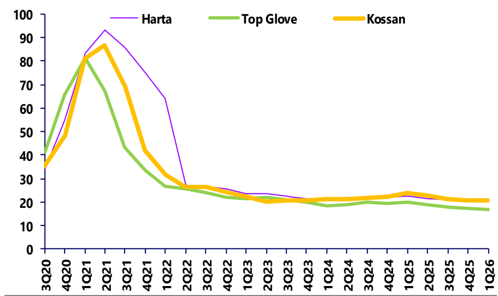
Source: OILCHEM

Malaysia Glovemakers' Quarterly Sales Volume (m' pieces)



Source: Respective companies, UOB Kay Hian

Malaysia Glovemakers' Quarterly ASP (US$/'000 pieces)



Source: Respective companies, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	1,748	2,158	2,145	2,152
EBITDA	176	164	139	135
Deprec. & amort.	0	81	75	73
EBIT	176	83	64	62
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	95	105	118
Pre-tax profit	175	178	170	180
Tax	(26)	(43)	(41)	(44)
Minorities	(1)	(1)	(1)	(1)
Net profit	121	133	127	135
Net profit (adj.)	121	133	127	135

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	1,704	986	961	938
Other LT assets	127	847	850	136
Cash/ST investment	922	982	944	991
Other current assets	1,338	1,135	1,126	1,129
Total assets	4,091	4,125	4,145	4,174
ST debt	18	33	33	33
Other current liabilities	212	177	174	175
LT debt	0	27	27	27
Other LT liabilities	130	130	130	130
Shareholders' equity	3,707	3,732	3,755	3,781
Minority interest	24	25	26	28
Total liabilities & equity	4,091	4,125	4,145	4,174

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	158	(32)	103	88
Pre-tax profit	175	178	170	180
Tax	(26)	(43)	(41)	(44)
Deprec. & amort.	100	81	75	73
Associates	0	0	0	0
Working capital changes	(10)	(153)	6	(3)
Non-cash items	1	(95)	(105)	(118)
Other operating cashflows	(83)	0	0	0
Investing	(309)	97	57	70
Capex (growth)	(309)	0	(50)	(50)
Others	0	97	107	120
Financing	(93)	(68)	(106)	(110)
Dividend payments	(51)	(108)	(105)	(108)
Proceeds from borrowings	0	0	0	0
Loan repayment	(41)	42	0	0
Others/interest paid	(1)	(2)	(2)	(2)
Net cash inflow (outflow)	(54)	(3)	54	48
Beginning cash & cash equivalent	976	922	919	973
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	922	919	973	1,021

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	10.1	7.6	6.5	6.3
Pre-tax margin	10.0	8.3	7.9	8.4
Net margin	6.9	6.2	5.9	6.2
ROA	3.2	3.5	3.3	3.5
ROE	4.0	4.4	4.1	4.4
Growth				
Turnover	(8.3)	23.5	(0.6)	0.3
EBITDA	20.7	8.6	10.9	12.0
Pre-tax profit	10.8	1.9	(4.9)	6.1
Net profit	23.9	10.7	(4.9)	6.1
Net profit (adj.)	23.9	10.7	(4.9)	6.1
EPS	23.9	10.7	(4.9)	6.1
Leverage				
Debt to total capital	0.5	1.6	1.6	1.6
Debt to equity	0.5	1.6	1.6	1.6
Net debt/(cash) to equity	(24.4)	(24.7)	(23.5)	(24.6)